

5:30-8
LOCAL FINANCE BOARD - FINANCIAL ADMINISTRATION

5:30-8.1 Electronic data processing systems for financial, revenue, and property tax accounting

- (a) Local units utilizing electronic data processing systems or services for financial, payroll, revenue, or property tax accounting, and equipment used for cash receipting purposes, are subject to the following provisions:
1. Local units procuring or upgrading systems or services after June 1, 1998 shall ensure that they meet the following requirements:
 - i. Transaction recording and reporting elements shall provide audit trails and reports that meet generally accepted government accounting standards, and meet requirements of audit, Technical Accounting Directives and all relevant provisions of the Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.).
 - ii. For property tax accounting systems, the vendor or system owner, and the local unit's certified tax collector, shall certify that they have tested and found that any automated calculation of interest or penalty meets the appropriate requirements of N.J.S.A. 54:4-1 et seq. and any local ordinance or resolution related thereto.
 - iii. For revenue accounting systems, the vendor or system owner, and the local unit chief financial officer, shall certify that they have tested and found that any automated calculation of billing, amount due, interest, or penalty meets the requirements of any statute or local unit ordinance or resolution for those revenues maintained by the system.
 2. Each local unit shall adopt and maintain appropriate internal control practices related to password or other security controls to ensure integrity of transactions, creating and maintaining back-up files, and documentation of system operations.
 3. All systems and services shall be capable of handling transactions, making calculations, storing dates, and properly operating as of, or with information dated on or after, January 1, 2000, on the following timetable: local units operating on a calendar fiscal year, as of December 31, 1998, and local units operating on any other fiscal year, by June 30, 1998. Local units shall obtain vendor certifications, perform tests, or take other appropriate action to ensure these deadlines are met.
 4. The requirements of this section shall be subject to review by the local unit auditor as part of the annual review of internal controls. Failure of a local unit to comply with (a)3 above shall be noted in the general comments and recommendations section of the annual audit.

5:30-8.2 Recommended surety bond coverage for chief financial officers

- (a) Local units are encouraged to provide a fidelity bond with faithful performance coverage for the chief financial officer or other individual holding overall management responsibility for the local unit's finances separate from the local unit's blanket fidelity bond.
- (b) The following schedule is recommended as the basis for the bond amount:
1. The exposure index from which the amount of the bond is calculated, is 10 percent of the total revenues of the local unit, including, but not limited to:
 - i. "Pass through" revenues, such as property tax levies for municipalities;
 - ii. Current, trust, capital and utility funds for municipalities or counties; and,
 - iii. General and special purposes funds for each enterprise of an authority.

<u>Exposure Index</u>	<u>Suggested Bond Amount</u>
0 - 25,000	15,000 – 25,000
25,000 – 125,000	25,000 - 50,000
125,000 – 250,000	50,000 – 75,000
250,000 – 500,000	75,000 – 100,000
500,000 – 750,000	100,000 – 125,000
750,000 – 1,000,000	125,000 – 150,000
1,000,000 – 1,375,000	150,000 – 175,000
1,375,000 – 1,750,000	175,000 – 200,000
1,750,000 – 2,125,000	200,000 – 225,000
2,125,000 – 2,500,000	225,000 – 250,000
2,500,000 – 3,325,000	250,000 – 300,000
3,325,000 – 4,175,000	300,000 – 350,000
4,175,000 – 5,000,000	350,000 – 400,000
5,000,000 – 6,075,000	400,000 – 450,000
6,075,000 – 7,150,000	450,000 – 500,000
7,150,000 – 9,275,000	500,000 – 600,000
9,275,000 – 11,425,000	600,000 – 700,000
11,425,000 – 15,000,000	700,000 – 800,000
15,000,000 – 20,000,000	800,000 – 900,000
20,000,000 – 25,000,000	900,000 – 1,000,000
25,000,000 – 50,000,000	1,000,000 – 1,250,000
50,000,000 – 87,500,000	1,250,000 – 1,500,000
87,500,000 – 125,000,000	1,500,000 – 1,750,000

5:30-8.3 Minimum surety bond coverage for tax collectors

- (a) Each tax collector and collector of utility rents shall be bonded with a surety bond calculated as follows:

1. The minimum requirement for the surety bond of each tax collector shall be such percentage of the preceding year's tax duplicate as is required by the schedule set forth in this subsection.
2. The minimum requirement for the surety bond of each collector of utility rents shall be such percentage of the preceding year's utility charges as is required by the schedule set forth in this subsection.
3. Tax Levy or Utility Charges Minimum Bond Required

Up to \$100,000	25% of the Levy
\$100,000 to \$250,000	\$25,000+ 8% of all over \$100,000
\$250,000 to \$500,000	\$37,000+ 6% of all over \$250,000
\$500,000 to \$750,000	\$52,000+ 4% of all over \$500,000
\$750,000 to \$1,000,000	\$62,000+ 2% of all over \$750,000
\$1,000,000 to \$2,000,000	\$67,000+ 1% of all over \$1,000,000
\$2,000,000 to \$5,000,000	\$77,000+ 1/2 % of all over \$2,000,000
\$5,000,000 and upwards	\$92,000+ 1/4 % of all over \$5,000,000

4. Local units are encouraged to utilize the following recommended amounts in lieu of the minimum amounts in order to provide a higher level of security of public funds:

Up to \$200,000	25% of the Levy
\$200,000 to \$350,000	\$50,000+ 8% of all over \$200,000
\$350,000 to \$500,000	\$62,000+ 6% of all over \$350,000
\$500,000 to \$1,000,000	\$71,000+ 4% of all over \$500,000
\$1,000,000 to \$2,500,000	\$91,000+ 2% of all over \$1,000,000
\$2,500,000 to \$5,000,000	\$121,000+ 1% of all over \$2,500,000
\$5,000,000 and upwards	\$146,000+ 1/2% of all over \$5,000,000

(b) The following additional provisions shall apply to such surety bonds:

1. In fixing such minimum bond, the nearest even \$1,000 shall be used.
2. When the collector of taxes and the collector of utility charges is the same person, the minimum surety bond coverage shall be computed separately. The required amounts shall be combined in a single surety bond.
3. The minimum coverage arrived at by use of the foregoing schedule shall be an overall minimum amount where there is more than one person in the office. The several persons handling funds should be bonded in accordance with their responsibility.
4. In any case where a municipality desires to substitute for the foregoing method any other method which it deems satisfactory and which complies with the

provisions of the existing statutes, such substituted procedure, shall, if approved by the Local Finance Board, be deemed to comply with this chapter.

5:30-8.4 Minimum surety bond requirements for municipal courts

- (a) Every municipal court judge and municipal court administrator shall be bonded with a surety bond in a minimum amount in accordance with the following schedule:

Total Annual Receipts	Minimum Bond Required
\$1 to \$5,000	\$2,000
\$5,000 to \$10,000	\$2,000 + 30% of all over \$5,000
\$10,000 to \$20,000	\$3,500 + 25% of all over \$10,000
\$20,000 to \$50,000	\$6,000 + 15% of all over \$20,000
\$50,000 to \$100,000	\$10,500 + 12% of all over \$50,000
\$100,000 to \$200,000	\$16,500 + 8% of all over \$100,000
\$200,000 to \$500,000	\$24,500 + 5% of all over \$200,000
\$500,000 to \$1,000,000	\$39,500 + 2% of all over \$500,000
\$1,000,000 and up	\$49,500 + 1% of all over \$1,000,000

- (b) Local units are encouraged to utilize the following recommended amounts in lieu of the minimum amount in order to provide a higher level of security of public funds.

\$1 to \$10,000	\$2,500
\$10,000 to \$25,000	\$2,500 + 30% of all over \$10,000
\$25,000 to \$50,000	\$5,500 + 25% of all over \$25,000
\$50,000 to \$100,000	\$11,750 + 15% of all over \$50,000
\$100,000 to \$200,000	\$19,250 + 12% of all over \$100,000
\$200,000 to \$500,000	\$31,250 + 8% of all over \$200,000
\$500,000 to \$1,000,000	\$47,250 + 5% of all over \$500,000
\$1,000,000 and up	\$72,250 + 2% of all over \$1,000,000

- (c) The municipal judge and the municipal court administrator shall be bonded in such amount as may be deemed appropriate and adequate under the circumstances, the amount, including all assistants, to be not less than the minimum referred to in (a) above, and in every case where the minimum requirement applies, based on the volume of annual transactions, the municipal judge and the municipal court administrator shall be bonded in the amount of not less than \$1,000 each.
- (d) In those cases where the minimum requirement, based on the volume of business of the Court, calls for an amount in excess of \$2,000, it may be appropriate to bond the municipal court judge and municipal court administrator, as the case may be, in an amount which shall be above the \$1,000 minimum required by statute to the nearest \$500.00 above said minimum.

- (e) The municipal governing body may allocate the amount of the coverage as between the municipal judge, municipal court administrator, and other employees, in accordance with the financial responsibility of each officer with due regard to the \$1,000 minimum for each individual.
- (f) There shall be a recomputation as to the minimum bond requirement annually and if the bond presently in force is less than the minimum required by the above schedule, the bond shall be increased.
- (g) In all cases, however, a new bond shall be obtained at least every three years, coinciding with the term of office of the municipal court judge.

5:30-8.5 Guidelines concerning receipt and custody of public funds

- (a) No officer of a local unit shall accept in receipt of the payment of any license, fee or other charge, a check in excess of the amount actually due.
- (b) Under no circumstances shall said officer engage in the practice of cashing checks with public funds.

5:30-8.6 (Reserved)

5:30-8.7 Notice of occurrences

It is the duty and responsibility of the chief financial officer to advise the Division of Local Government Services and the Department of Education, as appropriate, in any case where there might be a prospective default in the payment of principal or interest of any of the local unit's debt obligations.

5:30-8.8 (Reserved)

5:30-8.9 (Reserved)

5:30-8.10 Acceptance of third party financial organization payments

When authorized through bona fide "bank-by-phone" systems, local units are permitted to accept check based payments made by banks or other financial organizations on behalf of individual persons when authorized by such persons and when such transactions provide payor information.